

WIRRAL COUNCIL

CABINET

12 APRIL 2012

SUBJECT:	ENVIRONMENTAL STREETSCENE SERVICES CONTRACT FINANCIAL REVIEW
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF TECHNICAL SERVICES
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR DAVE MITCHELL, STREETSCENE & TRANSPORT SERVICES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 Recent amendments to the Council's Contract Procedure Rules include a requirement that all financial variations (of over £50K for the life of the contract) be reported to Cabinet. This report summarises all relevant financial variations to the Environmental Streetscene Services Contract that have been authorised by Cabinet, from the inception of the contract in August 2006. The Contract was awarded to Biffa on 8 May 2006 (Minute 598 refers).
- 1.2 This report also highlights an adjustment required to the 2011-2012 waste collection and disposal budget in order to fully fund the waste disposal and treatment costs of all waste collected from Council run premises. Cabinet approved an initial estimate of £70,000 on 22 February 2010. The additional growth of £53,000 now required in the Technical Services Waste budget will be offset by a corresponding reduced waste levy requirement.
- 1.3 In this report Cabinet is also requested to approve the Property Count Uplift applicable from 2011/12.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Environmental Streetscene Services Contract was awarded to Biffa Waste Services in May 2006 and came into force on 22nd August 2006.

During the past five years, the Contract has achieved significant successes including the following:

- The borough wide roll-out of the grey and green bin waste collection service to over 145,000 properties, including collections on Bank Holidays;
- The restructuring and expansion of the garden waste service to over 108,000 properties;

- The significant improvement in local environmental quality through better street cleansing and related activities has meant we have achieved the challenging Public Service Agreement (PSA) standard.

The current value of the core contract with Biffa is £12.594m for 2011/12 consisting of £7.805m for waste collection and £4.789m for street cleansing.

The Sustainable Communities Overview and Scrutiny Committee review the performance of the Environmental Streetscene Services contract annually. The fifth annual review was presented to Members on 30th January 2012 (Minute 63 refers).

At Cabinet on 23rd July 2009 (Minute 72 refers) a Contract Review report highlighted the need to fund a contractual Property Count Uplift that we expect to equate to annual growth of around £25k per year. This report details the actual requirement based on current property numbers.

3.0 ONGOING CONTRACT GROWTH REQUIREMENTS

3.1 Overview

The Environmental Streetscene Services Contract includes for an annual review and adjustment of contract payments in line with the requirement to collect waste from an increase in the number of households and the impact of movement in base RPI figures over the preceding 12 months. These adjustments apply on each 12-month anniversary of the contract start date, in August of each year and include the annual property count uplift and the Retail Price Index inflationary adjustment. Provision of £677K has already been made in the Council's 2012/13 budget to fully fund the full year effect of RPI applied in August 2011.

I am able to contain the 2011/12 part-year effects of these adjustments within existing Waste provisions through a number of one-off compensatory savings, totalling £389K.

3.2 Annual Property Count Uplift

The contract includes an obligation to vary the contract by an agreed formula on an annual basis to reflect additional new properties coming on stream during the preceding twelve months. The number of properties increased by 345 from 2010/11 to 2011/12. The on-going full year effect of this increase is £14,100. Cabinet are now requested to approve the Property Count Uplift, along with the associated budgetary implications, from August 2011.

4.0 COUNCIL OFFICE WASTE TREATMENT AND DISPOSAL COSTS

From 2010/11 onwards the Council was requested by the Merseyside Waste Disposal Authority (MWDA) to declare the quantity of residual and recyclable commercial waste it delivered to them. Previously, this waste tonnage was mixed with the household waste tonnage and paid for as part of the annual waste levy. At the time, the quantity of non-household waste was not known so an estimated figure was provided. However, this figure was under-estimated. After collecting tonnage data for two consecutive years, the current annual requirement is now known to be £120K p.a. as

opposed to the £70K p.a. projected in 2010. This difference also reflects the annual increases applied to the cost per tonne to cover increased processing costs including Landfill Tax increases of £8 per tonne per year on residual waste. Therefore Cabinet is therefore asked to approve the additional requirement of £53K p.a. so that the Council's quarterly waste disposal and treatment costs can be met. Whilst this is technically a growth item required by Technical Services, it will be offset by a corresponding reduction in the Waste Levy requirement of the Merseyside Recycling and Waste Authority and is therefore cost neutral to the Council.

5.0 2012/13 BUDGET REQUIREMENT SUMMARY

I request that Cabinet approve the 2012/13 requirements within the Waste and Environment budget of £64,100, as summarised in Table 1 below. The Director of Finance is currently leading on a full review of the Environmental Streetscene Services Contract in association with Price Waterhouse Cooper. A further report detailing savings opportunities linked to the future of the contract with Biffa Waste Services review must be presented to Cabinet no later than June 2012. It is anticipated that Biffa will propose a substantial savings package in return for "buying back" the break clause thereby extending the contract to 2020. However this will be predicated on Cabinet accepting any terms that may be attached to such a package. In addition, some of these savings may not be realised until after the Environmental Streetscene Services "break clause" date of August 2013.

Table 1: Budget Requirement Summary

Additional Budgetary Requirement 2012 – 2013 onwards	
	(£) Expenditure
Property Count Uplift	14,100
Office waste disposal/treatment costs	53,000
TOTAL	67,100

6.0 EFFECT OF FINANCIAL CHANGES (VARIATIONS) TO DATE

6.1 Members will recall the recent changes to the Contract Procedure Rules (CPR) governing variations to contracts, and in particular the improvement in reporting to Cabinet on variations within Term Contracts such as the Biffa contract as set out in CPR Section 16A. In accordance with CPR 16A.2 and 16A.3, Table 2 below identifies all those variations to the contract with Biffa that have a value greater than £50,000 over the whole of the contract term (2006 to 2020). Technical Services will report all variations to the Environmental Streetscene Contract annually in future.

Table 2: Variations greater than £50,000 in value (Excluding RPI increases)

Variation	Estimated cost over the contract term (2006-2020, 14 years)	Comment (includes Variation Order (VO) reference).
Expansion of Garden Waste recycling to 10,500 properties	£1.7m	Introduced March 2008 (VO: Biffa 003 raised 23/01/08) Reported to Cabinet 03 April 2008 and 15 January 2009
Expansion of Garden Waste recycling to 4,900 properties*	£1.7m	Introduced March 2008 (VO: Biffa 004 raised 23/01/08) Reported to Cabinet 03 April 2008 and 15 January 2009
Removal of 1 x garden waste collection vehicle as a result of green waste procurement exercise	-£1.6m	From 2010/11: SAVING (Reported to Cabinet 15 June 2010)
Introduction of bulk bin recycling to multi-occ households	£1.7m	Introduced 2009/10 (Approved Cabinet 22 Feb 2010 minute 332 refers. VO: Biffa 005 raised 28/05/09)
Introduction of exclusion round to multi-occ households	£912K	Introduced 2009/10 (Approved Cabinet 22 Feb 2010 minute 332 refers) VO: Biffa 012 raised 19/03/12
Abandoned bin removal service	£56K	Introduced 2011/12 VO: Biffa 013 raised 19/03/12 From Provisional Items approved Cabinet 8 May 2006
Introduction of kerbside recycling to hard to reach properties	£69K	Introduced March 2011 VO: Biffa 008 raised 05/01/11 From Provisional Items approved Cabinet 8 May 2006
Removal of Schools street Cleansing resource (1 x large mechanical sweeper)	-£540K	From April 2011: SAVING VO: Biffa 011 raised 31/05/11 Budget Cabinet 21 Feb 2011
Keep It Local Deep Cleanse Initiative	85K (One off budget option 2011/12)	VO: Biffa 010 raised 21/04/11 Budget Cabinet 21 Feb 2011
Embankment Cleanse	131K	VO: Biffa 014 raised 19/03/12 Introduced April 2008 From Provisional Items approved Cabinet 8 May 2006

*Same cost as VO Biffa 003 as whole refuse collection vehicle resource required. 3300 Additional properties to be added at no extra cost April 2012.

6.2 Details of how these variations have impacted on the contract to date are shown in Table 3. The compounding effects of RPI and property uplift up to 2011/12 are also detailed. To summarise, the overall cost of the contract has increased by over £2.8M pa since its commencement date of August 2006. This increase is associated with the service changes detailed in Table 2, compounding property uplift charges and the significant impacts of RPI.

Table 3: Additional annual costs to the Environmental Streetscene Services Contract applied since the Contract start date of August 2006

Area	Additional costs (p.a.) as of 2011/12
Service changes (excluding RPI)	£383,635
RPI	£2,339, 819*
Property Uplift	£127068
Total	£2,850,522

*Includes RPI for core contract costs only plus service enhancements detailed in Table 2. Excludes RPI for variable provisional items such as rapid responses, "match day" cleansing, bin deliveries and bulky waste collections.

7.0 RELEVANT RISKS

7.1 The Council must ensure the Environmental Streetscene and Waste Services Contract is fully funded in 2012/13 to avoid the budget being overspent, and to facilitate good budget monitoring practice.

8.0 OTHER OPTIONS CONSIDERED

8.1 There is requirement to fully fund the Environmental Streetscene Services Contract and failure to do so would result in an uncontrollable overspend in the Waste budget provisions. Officers intend to report an opportunity for savings to Cabinet by June 2012 as a result of the conclusion of the Biffa Contract Review.

9.0 CONSULTATION

9.1 No consultation has been required as a result of the recommendations proposed in this report.

10.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

10.1 There are no implications arising from this report.

11.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

11.1 The key financial implications, arising from the initiatives contained within the main body of this report, have been summarised in Section 5 of this report (Table 1). Approval is requested for an additional budgetary requirement of £64,100 for inclusion in the base budget 2012/13.

11.2 The management of the Environmental Streetscene Services contract will be contained within existing staffing resources.

12.0 LEGAL IMPLICATIONS

12.1 There are no legal implications arising from this report.

13.0 EQUALITIES IMPLICATIONS

13.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No because there is no relevance to equality.

14.0 CARBON REDUCTION IMPLICATIONS

14.1 All current and planned activity surrounding waste collection aims to reduce overall waste arising and divert waste from landfill, supporting the reduction in carbon.

15.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

15.1 There are no planning implications arising from this report.

16.0 RECOMMENDATION/S

16.1 Cabinet is requested to: -

- (1) Approve the budget growth for 2012/13 onwards totalling £14,100 associated with the Property Count Uplift adjustment is described in section 3.2 of this report;
- (2) Approve the budget growth for 2012/13 of £53,000 to fully fund the disposal and treatment costs of the Council's own waste arisings as detailed in section 4 of this report;
- (3) Note all financial variations to the Environmental Streetscene Contract over the value of £50,000 in accordance with Contract Procedure Rules 16A.2 and 16A.3 as detailed in section 6 of this report.

17.0 REASONS FOR RECOMMENDATIONS

17.1 This report is necessary to ensure that the Environmental Streetscene Services Contract remains fully funded to August 2012 and that financial variations are reported in accordance with Contract Procedure Rule 16A.

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SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet: Environmental Streetscene Services Contract Review	23 July 2009
Cabinet: Budget 2010 - 11	22 February 2010